

Message Text

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TO AMEMBASSY TOKYO

INFO AMEMBASSY MANILA

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E.O. 11652:N/A

TAGS: OEXC, JA

SUBJECT: GARIOA CONVERTIBILITY

REF: TOKYO 3298, TOKYO 3124 (NOTAL)

MANILA FOR RDP JULSON

SUMMARY: DEPT OBTAINING AUTHORITY CONCLUDE AGREEMENT ON
UTILIZATION GARIOA FUNDS AND PROVIDES DRAFT LANGUAGE FOR
CONSIDERATION. NISHIMIYA'S PREFERENCES ARE EXPLAINED.
END SUMMARY.

1). IN LIGHT OF NISHIMIYA'S CURRENT PREFERENCE FOR
HANDLING CONVERTABILITY ISSUE THROUGH SOME SORT OF
UNDERSTANDING BETWEEN FOREIGN MINISTRY AND EMBASSY RATHER
THAN THROUGH FORMAL EXCHANGE OF NOTES, DEPARTMENT PROVIDES
POSSIBLE LANGUAGE BELOW FOR AN ALTERNATE FORM OF COMMUNI-
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CATION WHICH WOULD BE AGREEABLE TO TREASURY AND DEPARTMENT.

2). DRAFT LANGUAGE FOLLOWS: QTE "MEMORANDUM OF UNDERSTANDING" REFERENCE IS MADE TO ARTICLE V OF THE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND JAPAN REGARDING THE SETTLEMENT OF POST-WAR ECONOMIC ASSISTANCE TO JAPAN OF JANUARY 9, 1962 AND TO THE RELATED EXCHANGE OF NOTES OF JANUARY 9, 1962 CONCERNING PAYMENT IN THE CURRENCY OF JAPAN OF THE EQUIVALENT OF 25 MILLION UNITED STATES DOLLARS TO BE USED FOR THE PURPOSE OF EDUCATIONAL AND CULTURAL EXCHANGE BETWEEN THE UNITED STATES OF AMERICA AND JAPAN.

REFERENCE IS ALSO MADE TO THE ENACTMENT OF THE JAPAN-U.S. FRIENDSHIP ACT, P.L. 94-118, OF OCTOBER 20, 1975, AUTHORIZING THE ESTABLISHMENT OF A TRUST FUND TO BE KNOWN AS THE JAPAN-UNITED STATES FRIENDSHIP TRUST FUND FOR THE PROMOTION OF SCHOLARLY, CULTURAL AND ARTISTIC ACTIVITIES BETWEEN JAPAN AND THE UNITED STATES, AND TO THE ENACTMENT OF P.L. 94-157 OF DECEMBER 18, 1975, MAKING APPROPRIATIONS THEREFOR.

IT IS UNDERSTOOD THAT THERE ARE APPROXIMATELY 14.5 MILLION DOLLARS REMAINING UNEXPENDED FROM THE ORIGINAL 25 MILLION DOLLARS IN INTEREST BEARING ACCOUNTS ON TIME DEPOSIT IN BANKS IN JAPAN.

THE APPROXIMATELY 14.5 MILLION DOLLARS (AS DETERMINED AS OF DECEMBER 18, 1975) AND THE INTEREST EARNED THEREFROM AFTER DECEMBER 18, 1975, SHALL BE UTILIZED AS FOLLOWS:

1. AN AMOUNT OF 3.5 MILLION DOLLARS IN YEN SHALL BE KEPT IN BANKS IN JAPAN IN INTEREST BEARING ACCOUNTS. THE PRINCIPAL AND INTEREST THEREFROM SHALL BE UTILIZED FOR DEFRAYING THE COSTS OF THE UNITED STATES PARTICIPATION IN THE INTERNATIONAL OCEAN EXPOSITION IN OKINAWA.
2. THE REMAINING AMOUNTS IN THE BANKS IN JAPAN OF THE APPROXIMATELY 14.5 MILLION DOLLARS IN YEN AND THE INTEREST EARNED THEREFROM SHALL BE PERMITTED TO BE CONVERTED AT CURRENT RATES OF EXCHANGE INTO DOLLARS WHICH SHALL BE UNCLASSIFIED

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MADE AVAILABLE TO THE TREASURY OF THE UNITED STATES FOR THE PURPOSE OF INVESTMENT IN UNITED STATES GOVERNMENT OBLIGATIONS TO BE PART OF THE TRUST FUND ESTABLISHED UNDER THE JAPAN-U.S. FRIENDSHIP ACT. THE PRINCIPAL AND INTEREST OF THESE OBLIGATIONS SHALL ONLY BE USED FOR EXPENDITURE IN JAPAN AS PROVIDED BY AND IN IMPLEMENTATION OF THE PROVISIONS OF THE JAPAN-U.S. FRIENDSHIP ACT.

3. IN THE EVENT THE FUNDS REFERRED TO IN PARAGRAPH 1 ARE NOT COMPLETELY UTILIZED TO DEFRAID THE COSTS FOR THE INTERNATIONAL OCEAN EXPOSITION ANY REMAINDER SHALL BE HANDLED AS IN PARAGRAPH 2 ABOVE. END QUOTE.

3). DEPARTMENT JUDGMENT IS THAT ANY SUCH COMMUNICATION DOES REQUIRE CIRCULAR 175 ACTION AND HENCE IS TAKING NECESSARY STEPS TO OBTAIN THIS AUTHORITY.

4. NISHIMIYA PLANS RETURN TOKYO MARCH 12 AND EXPRESSED HOPE MATTER COULD BE RESOLVED QUICKLY. DEPT CONCURS AND WILL ADVISE POST WHEN CIRC 175 AUTHORITY RECEIVED.

5. FYI: AFTER DISCUSSING FIGURES GIVEN PARA 3, TOKYO 3298, DEPT,USIA AND TREASURY AGREE THAT 3.5 MILLION DOLLARS IN YEN FOR EXPO COSTS WILL PROVIDE ENOUGH CUSHION TO PAY ALL EXPO COSTS.

6. POST COMMENTS REQUESTED ON BOTH DRAFT LANGUAGE AND METHOD OF IMPLEMENTING AGREEMENT. KISSINGER

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